

Importance of Rail Service to Iowa

- Serve all major urban areas plus 90 counties
- Carry a variety of products (lumber to vegetables)
- One rail car hauls as much as 4 trucks
- Save farmers one to three cents per bushel
- Employ 4,100 people and contribute \$230 million to lowa's economy
- Invest more than \$225 million annually to maintain their system
- Move a ton 400 miles on each gallon of fuel
- Lower derailments and crossing accidents while traffic volumes have increased

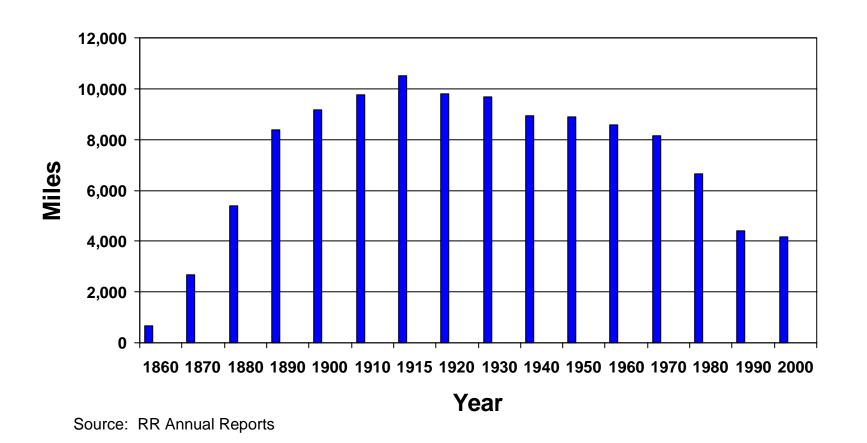
Socio Economic Trends Summary

- Population
 - Slow population growth
 - Increase in median age
 - Shift from rural to urban areas
- Economy
 - Increase in gross state product and employment
 - More Productive
 - Shift away from farming and manufacturing to services

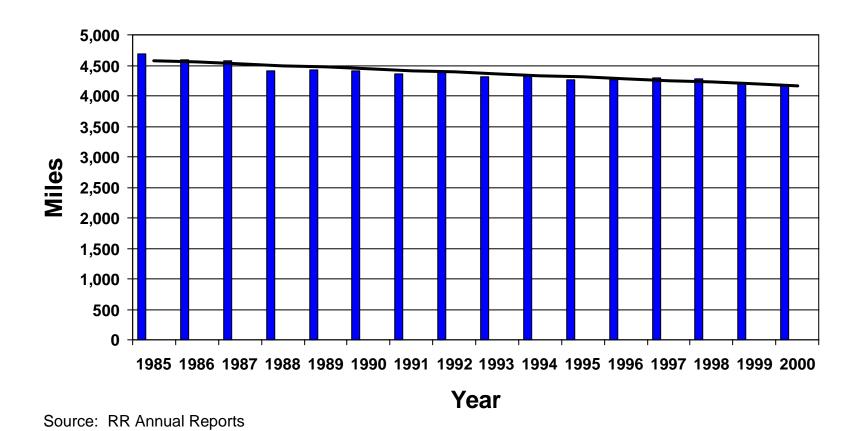
Iowa Rail Trends

- System Size
- Usage
- Changing nature of railroad companies
- Safety
- Financial performance
- Equipment size
- Train load operations

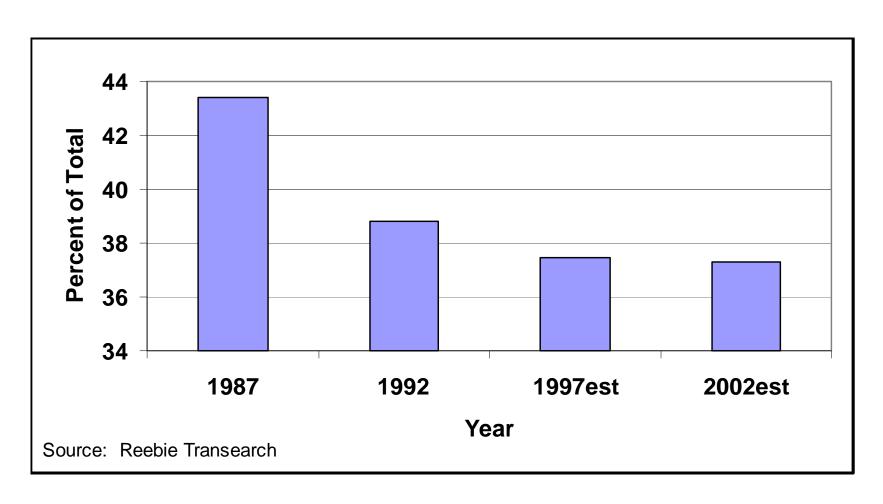
Current Iowa Rail Mileage is 40 % of the 1915 Peak



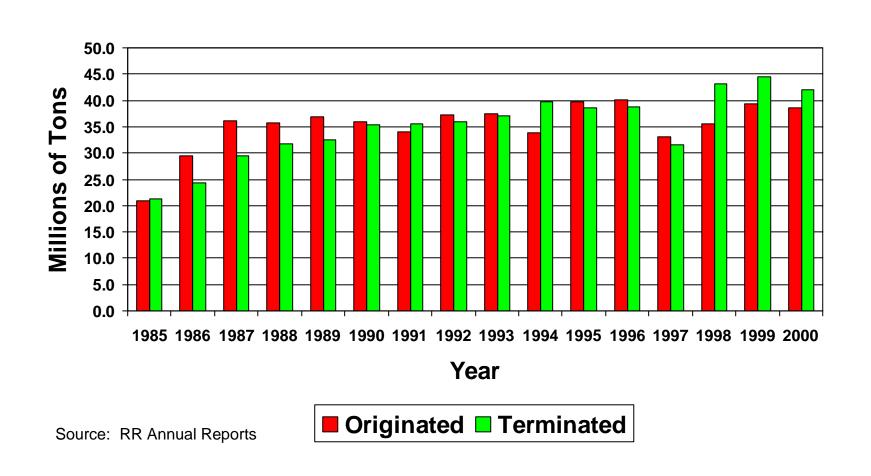
Iowa's Rail Mileage has Declined by 500 Miles



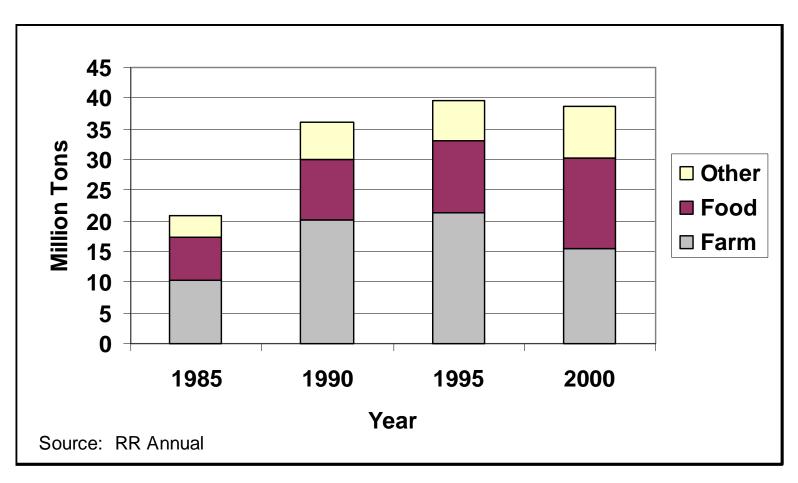
Rail's Share of Iowa's Freight Movements has Declined



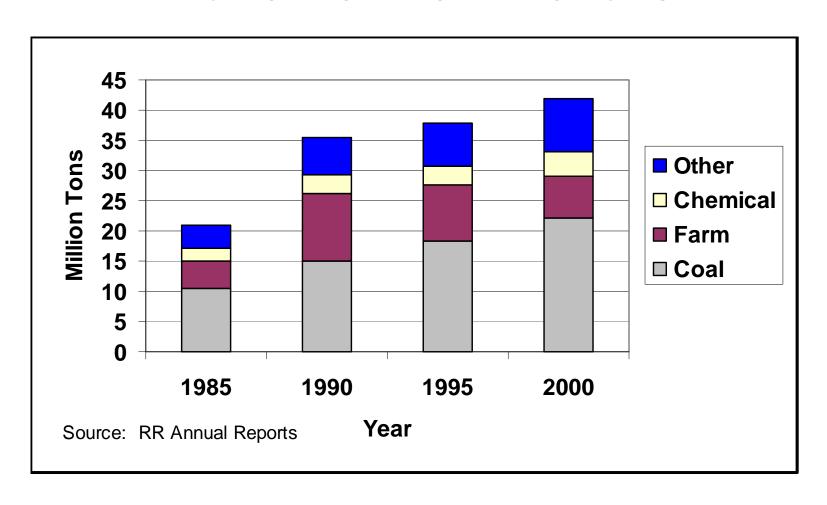
Iowa Rail Movements Doubled Over Last 15 Years



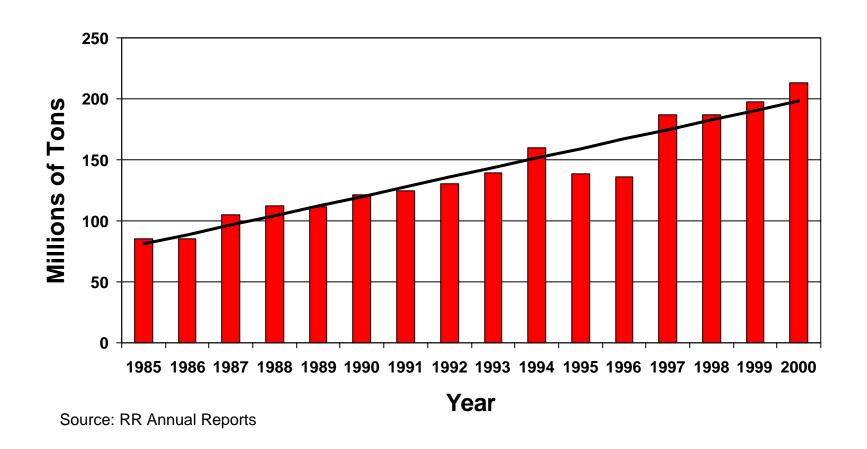
2 Commodities Dominate lowa Rail Originations



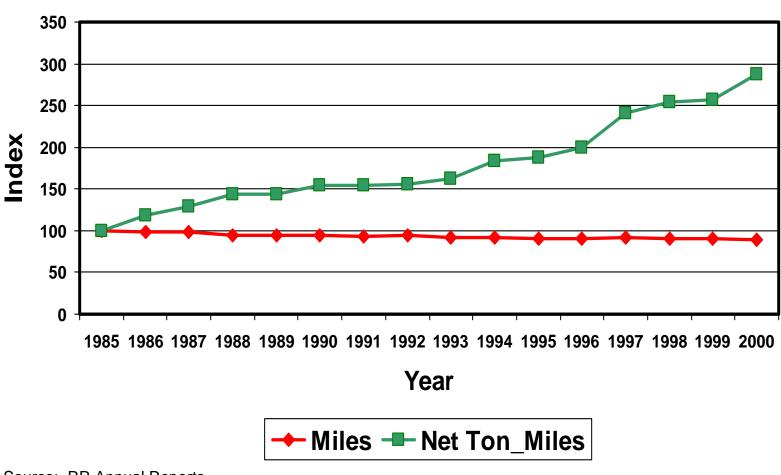
3 Commodities Dominate lowa Rail Terminations



Iowa Thru Traffic Increased 2.5 Times

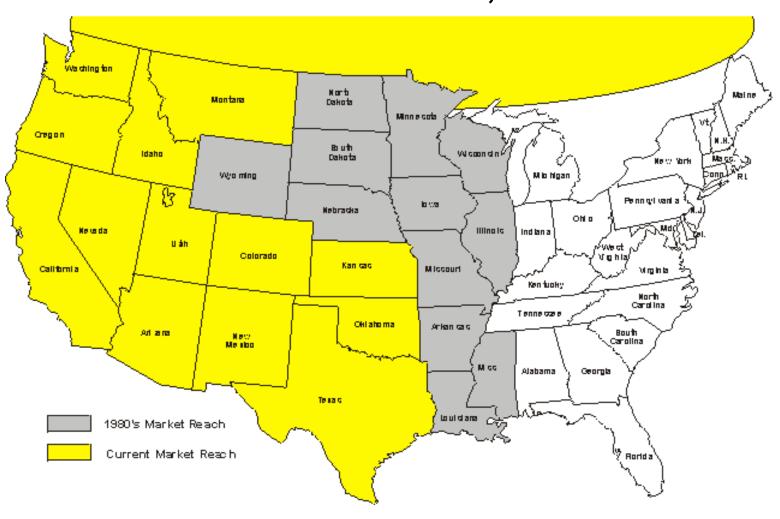


Iowa Traffic has Increased While Mileage has Declined

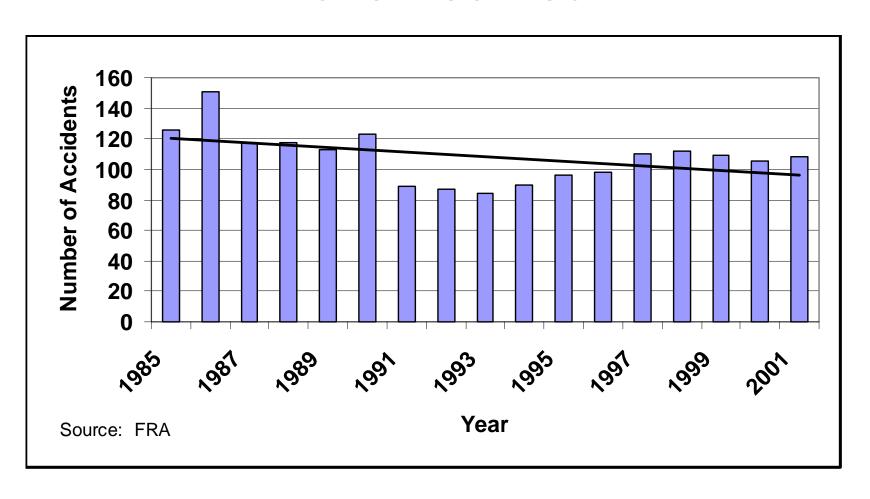


Source: RR Annual Reports

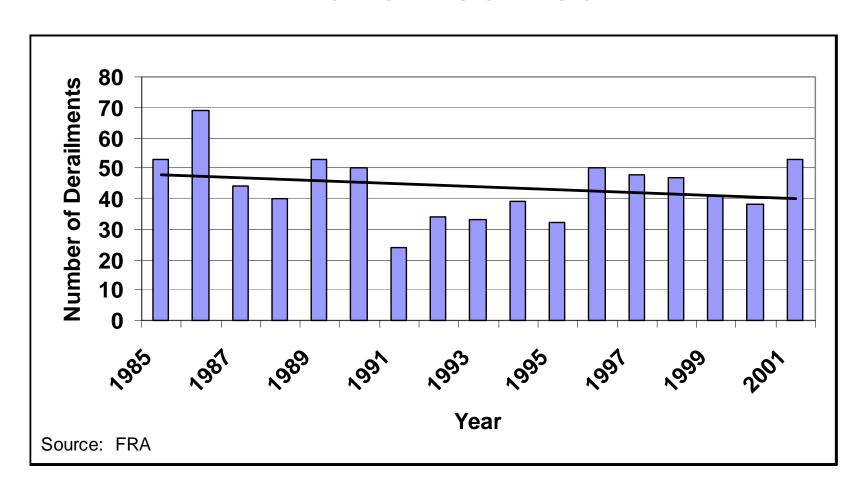
More Direct access to Canada, Western United States, and Mexico



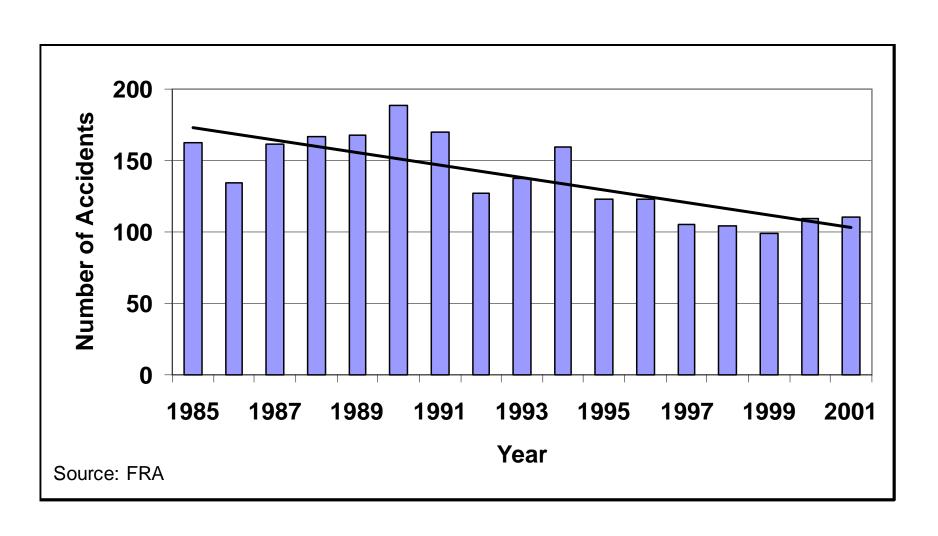
Iowa Railway Derailments Have Declined



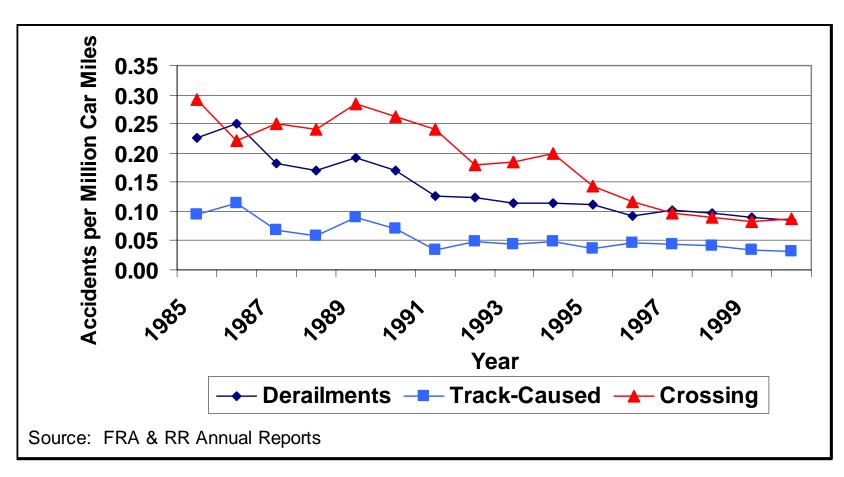
Iowa Track Caused Derailments Have Declined



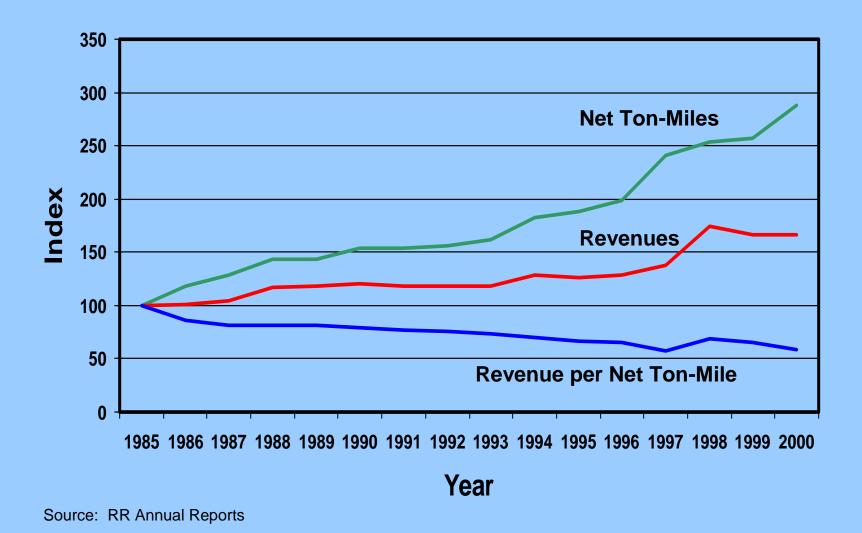
Fewer Iowa Rail/Highway Crossing Accidents



Accident Rates per Car Mile Are Declining

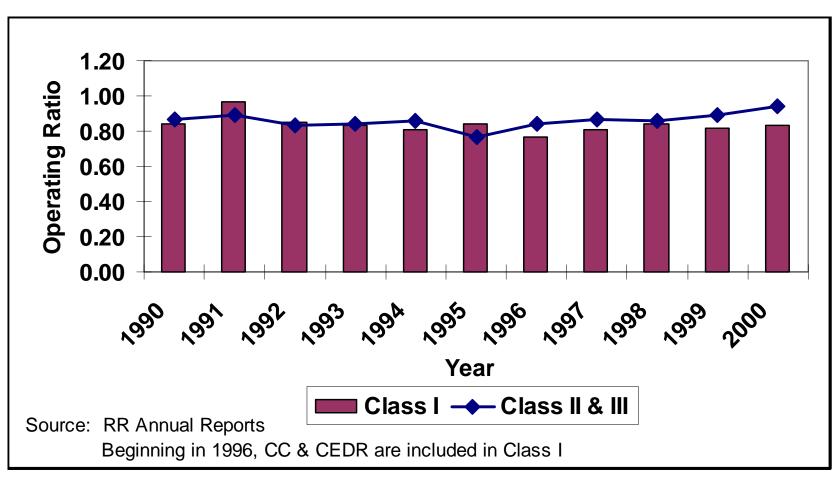


Performance of Rail Operations in Iowa



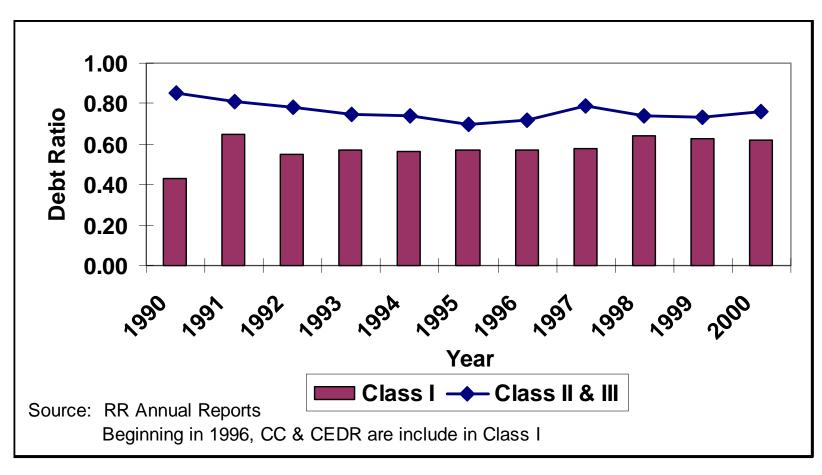
Class I Operating Ratio has been Steady Class II & III Ratio is Increasing

Operating Expenses / Operating Revenues



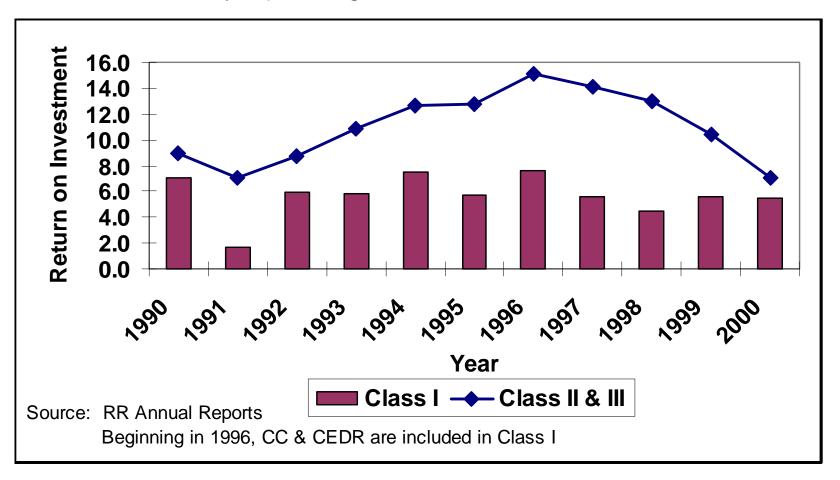
Debt Ratio is Increasing Railroads are taking on More Debt

Total Liabilities/ Total Assets

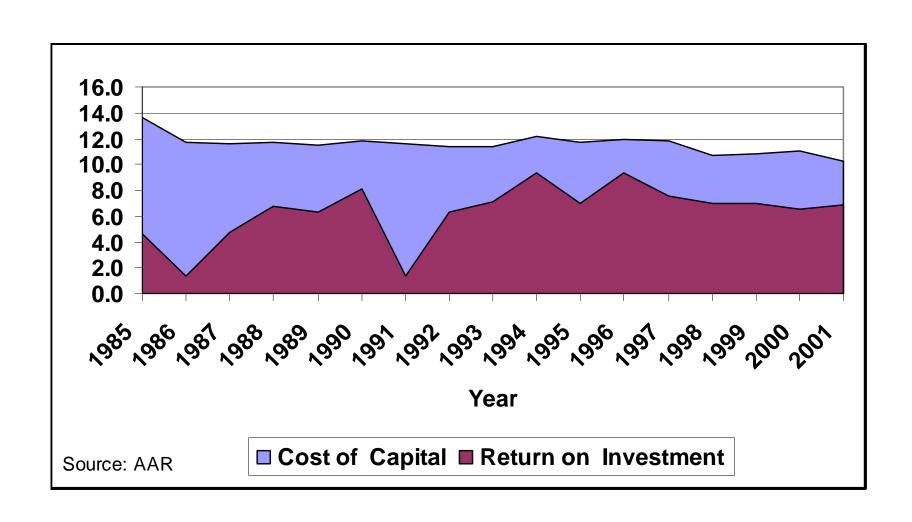


Class I Return on Investment Remains About 6% Class II & III Return has Fallen to 7%

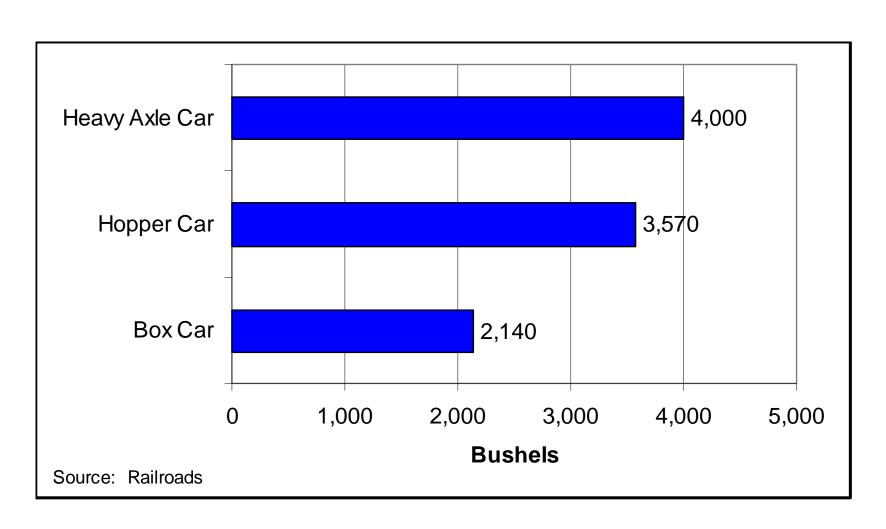
Net Railway Operating Income / Net Railroad Investment



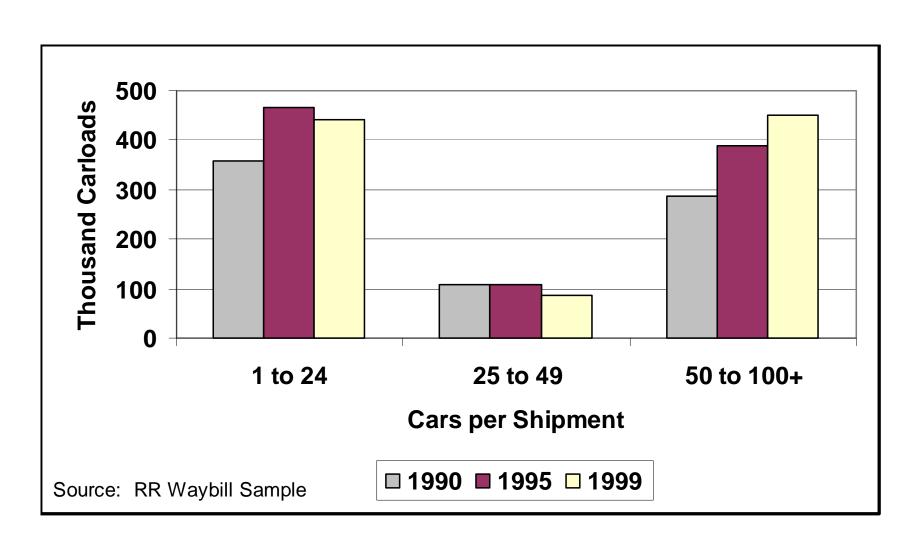
U.S. Class I Railroad Returns are Less Than the Cost of Capital



Car Capacity has Increased



Trains Are Getting Longer in Iowa



Iowa Rail Trends Summary

- Fewer miles (4,682 to 4,163)
- More freight traffic (20 mil tons to 40 mil)
- Fewer major carriers (9 to 3)
- More regionals/shortlines (14 to 16)
- Safer train operations and crossings (70 % reduction per car miles)
- Lower revenues per ton-mile (2.64 cents to 1.53)
- Larger cars and more powerful locomotives
- More train load operations

Agricultural Trends

Farms Elevators



Production

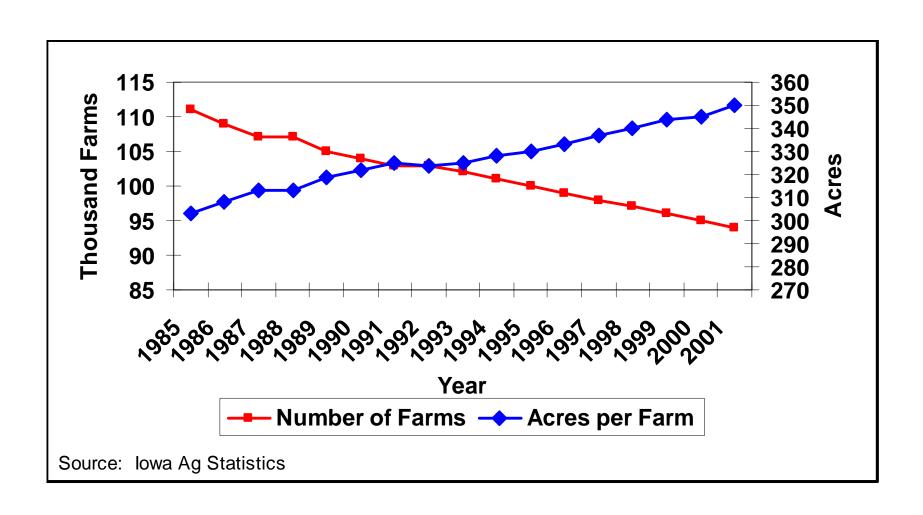




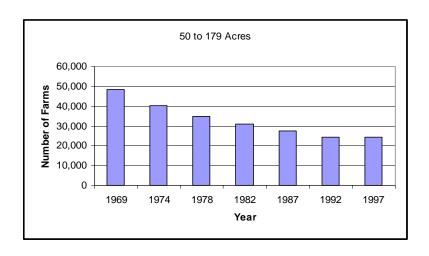
Distribution & Transportation

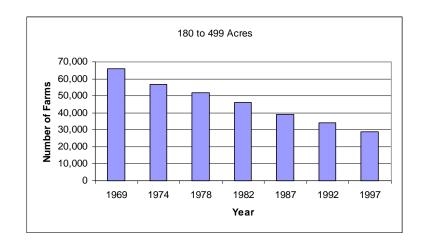


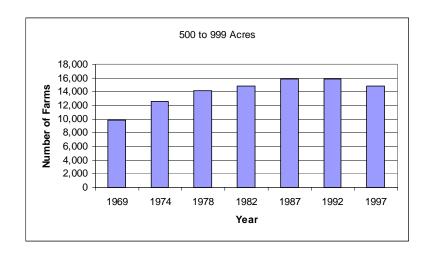
Fewer, but Larger Iowa Farms

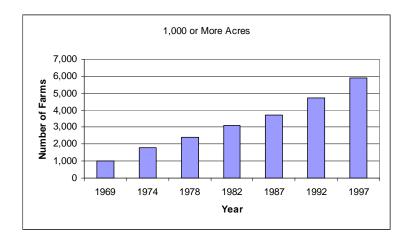


Fewer Farms Less Than 500 Acres More Farms With 500+ Acres



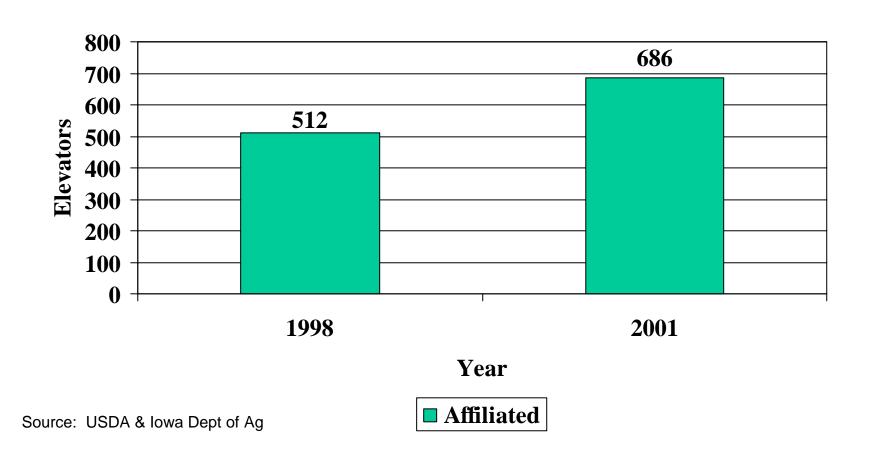




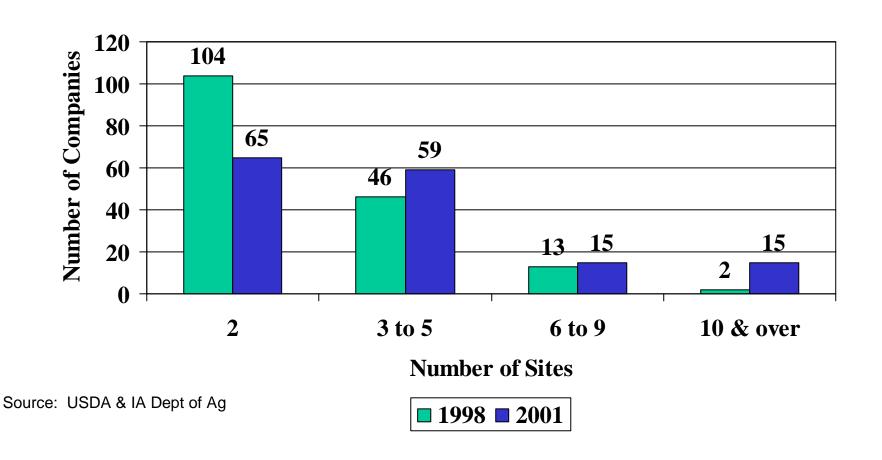


Source: Iowa Ag Statistics

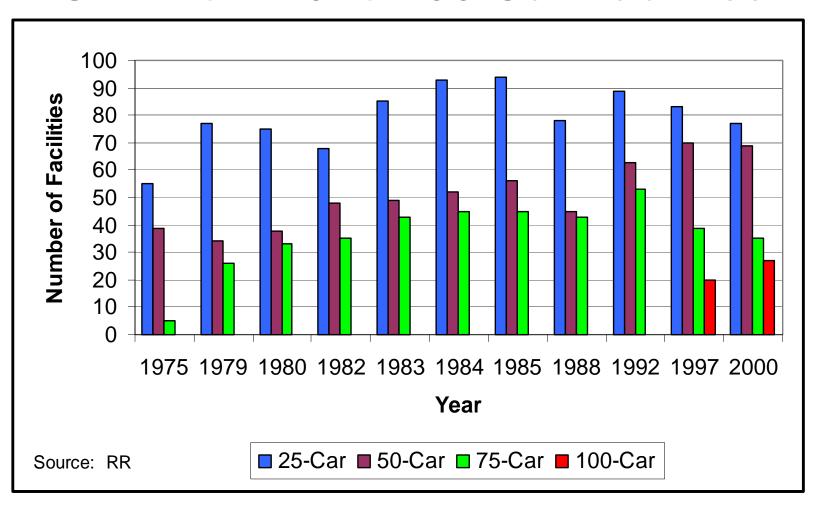
More Elevator Affiliations



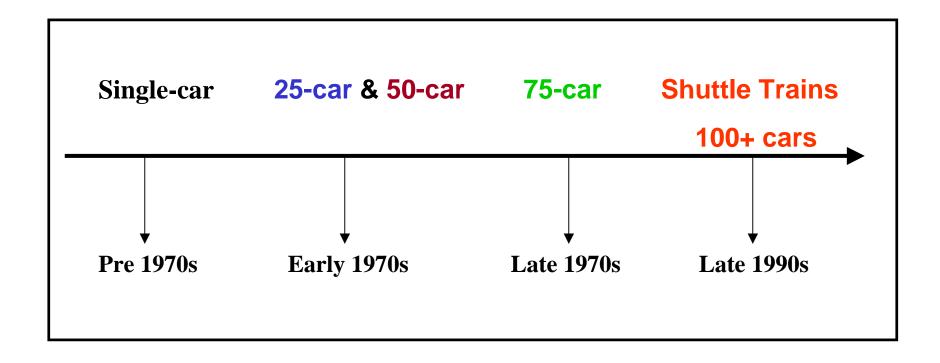
More Companies Having Multiple Sites



Shift from 25 to 50 Car Facilities Shift from 75 to 100 Car Facilities



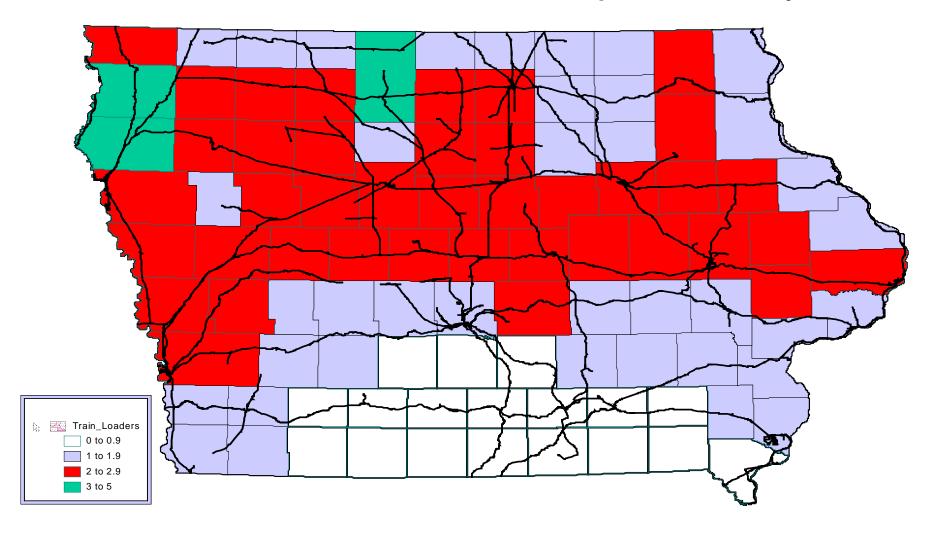
Timeline for Multiple Car Grain Rates



Shuttle Train Program

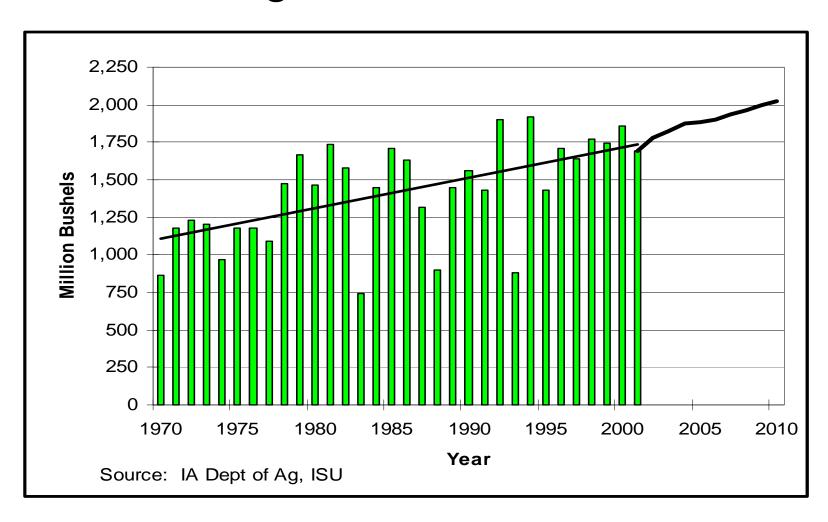
- Started in late 1990s
- 100+ car straight line / loop siding
- 15 hour load / unload time
- Dedicated power and equipment
- 2 turns per month
- Rate benefits (9 to 12 ¢ per bushel)

Iowa May Need only 2 or 3 Shuttle Train Loaders per County

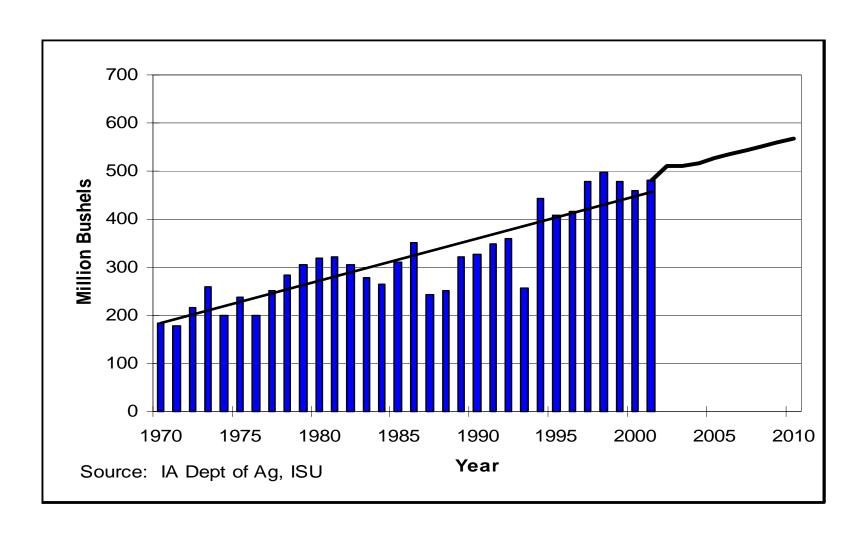


Assumes all corn production is moved by 110-car unit trains at 4,000 bushels per car with 24 turns per year.

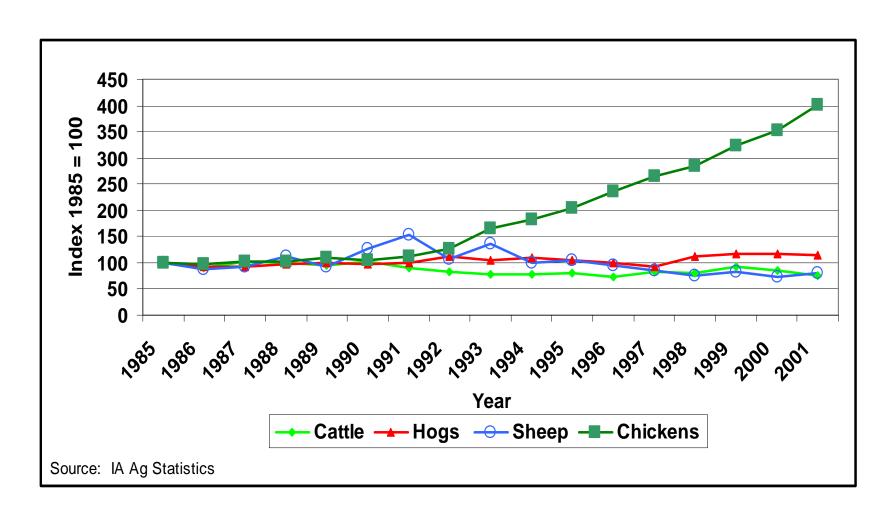
Increasing Iowa Corn Production



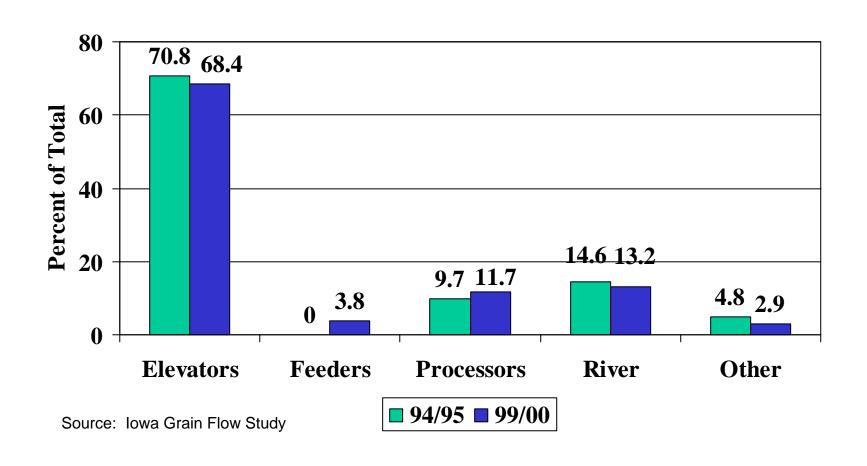
Increasing Iowa Soybean Production



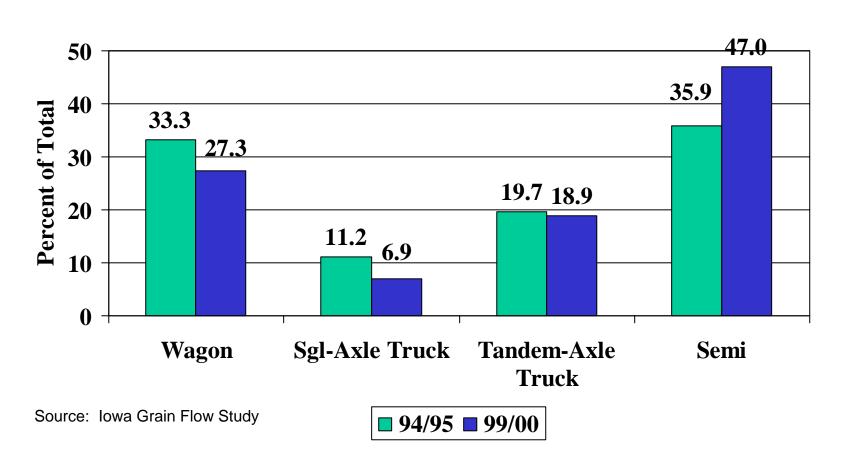
Iowa Livestock Production



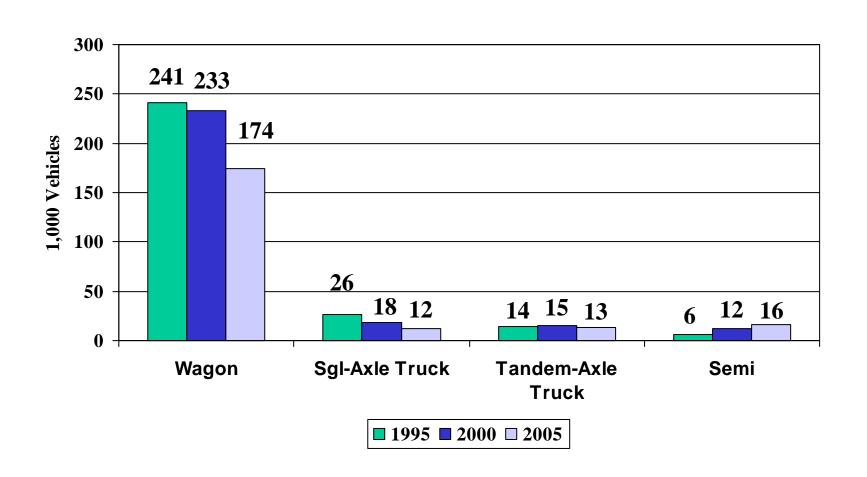
More Iowa Grain Delivered from Farms to Feeders & Processors



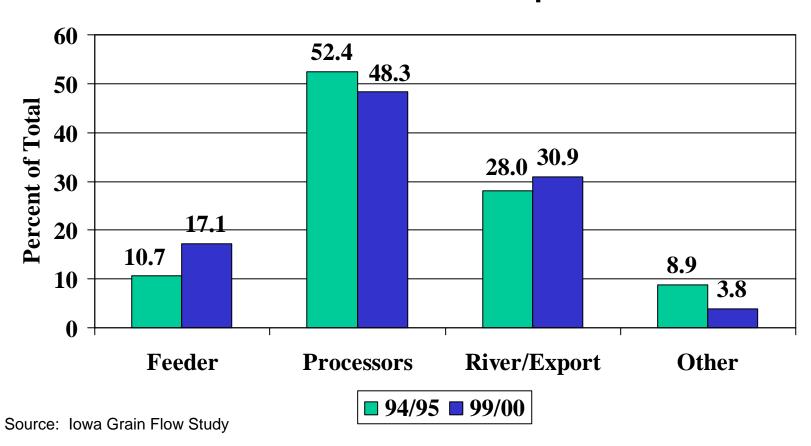
More Iowa Grain Delivered from Farms by Semis



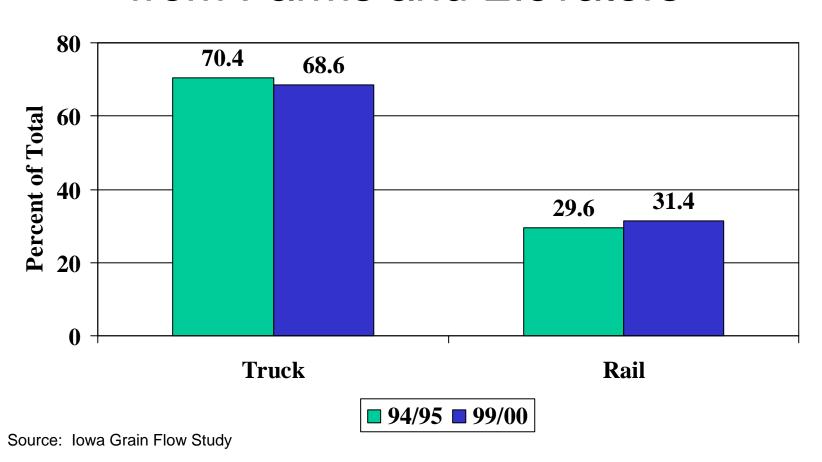
Vehicles Owned by Iowa Farmers



More Iowa Grain Shipments from Farms & Elevators to Feeders & Export



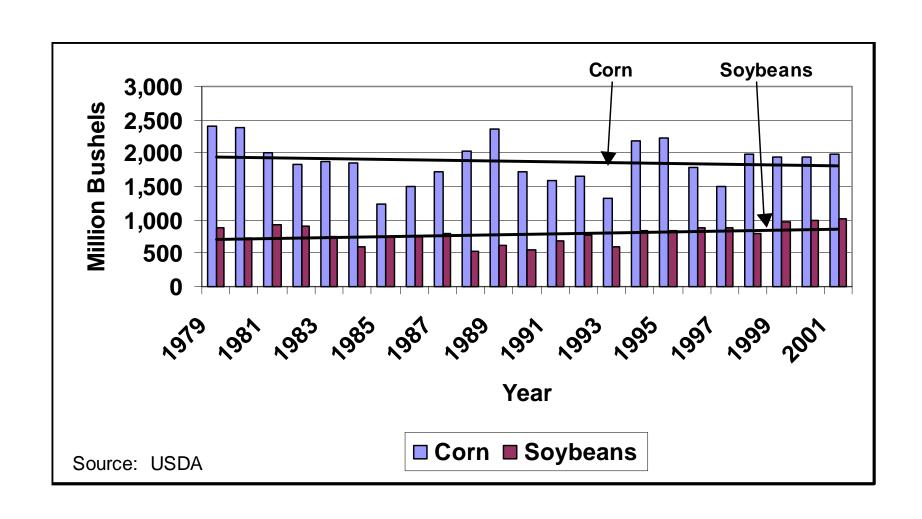
Slight Increase in Rail's Share of Iowa Grain Shipped from Farms and Elevators



Iowa Ethanol Production is on the Rise

	Number of Plants	Ethanol Capacity (million gallons)	Corn Required (million bushels
Existing	6	505	190
Existing—Farmer Owned	4	80	30
Existing Total	10	584	220
Under Construction	4	115	43
Planning Stage	4	200	75
Total	18	899	338

Stable U.S. Corn & Soybean Exports

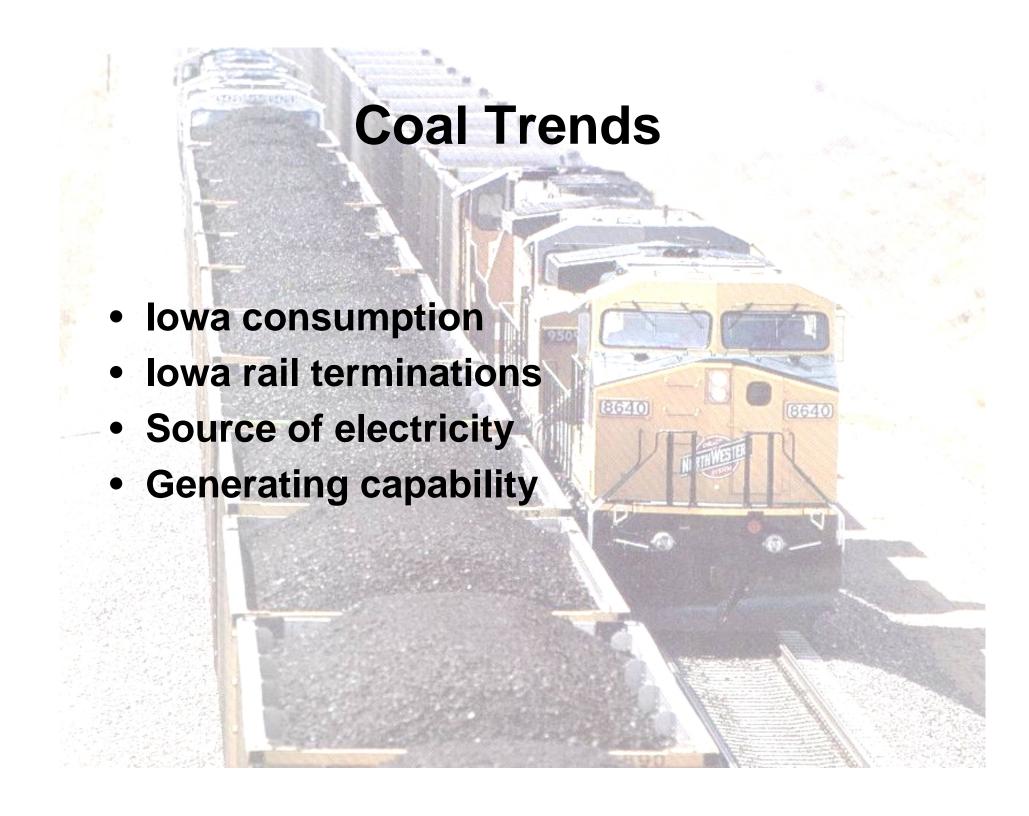


Agricultural Trends Summary

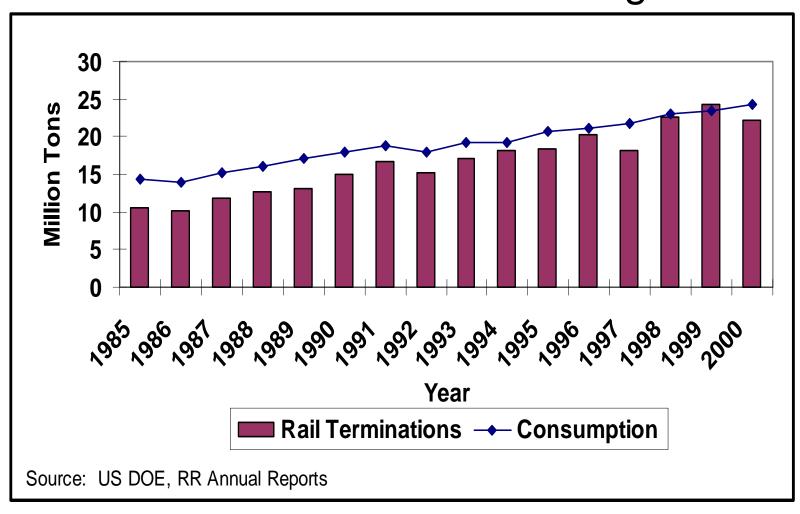
- Concentration in grain and livestock operations
- More grain production
- Stable livestock production except for chickens
- More elevator affiliations
- More multiple car facilities
- Stable storage capacities

Agricultural Trends Summary continued

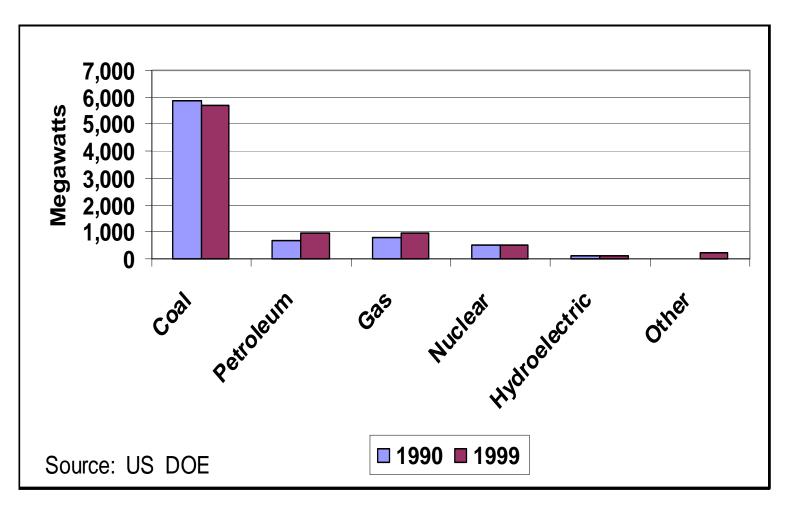
- More grain shipped direct from farms to market
- Farm movements to elevators still important
- More grain moved in semis from farms
- Farmers owning more semis
- More shipments to feeders and export, but majority still goes to processors
- Slight increase in rail share of grain shipments, although trucks move majority

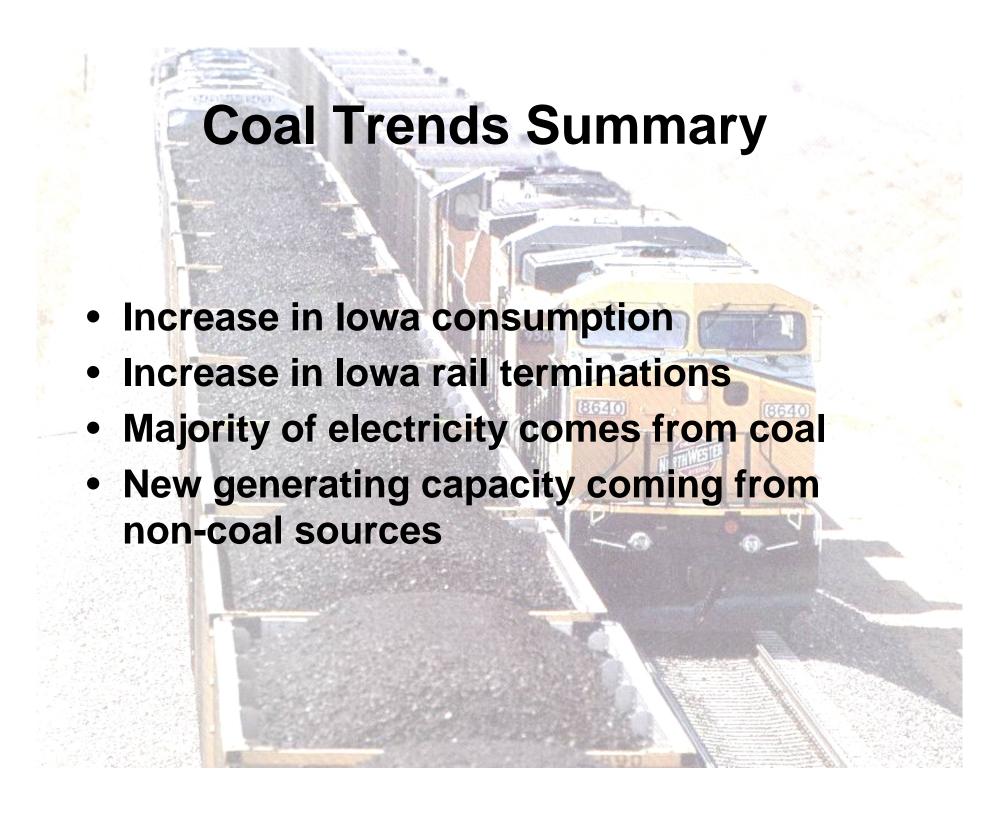


Iowa Coal Consumption & Iowa Rail Coal Terminations are Growing



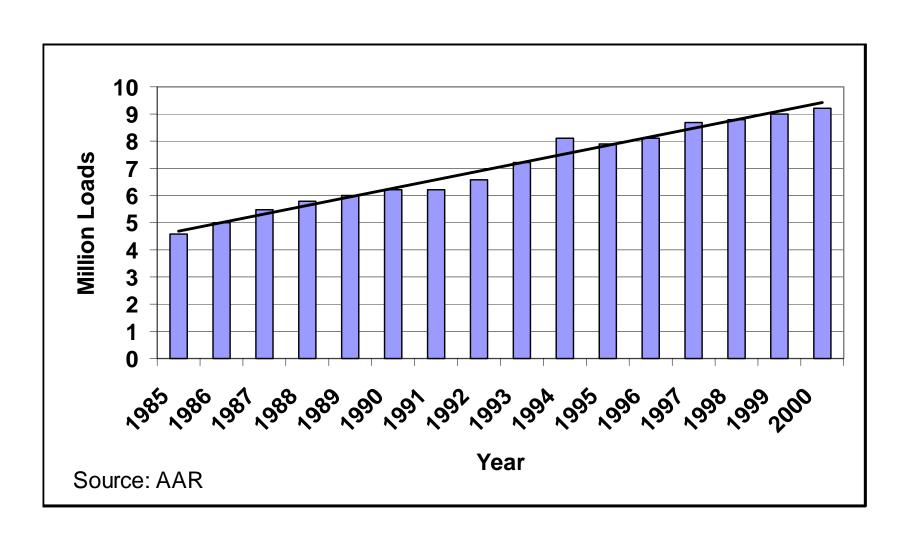
Non-Coal Iowa Utility Generating Capacity is Increasing



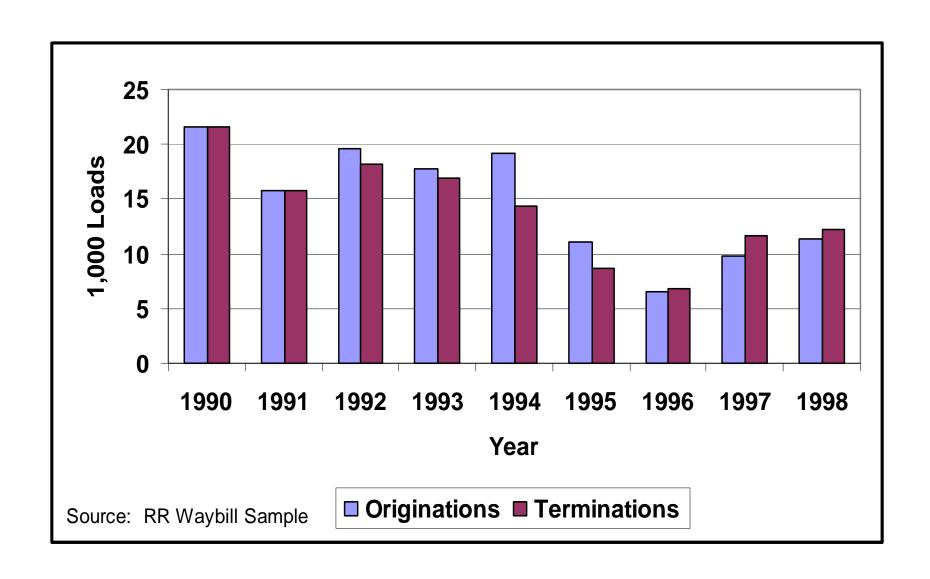




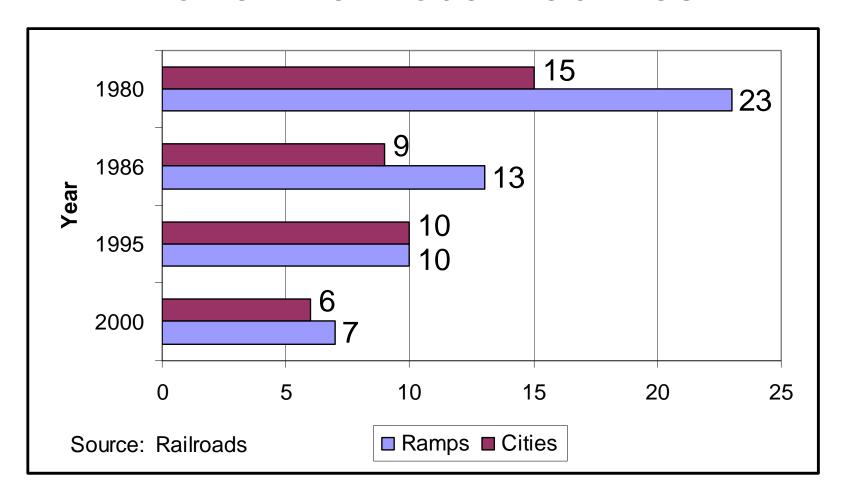
US Intermodal Traffic has Doubled



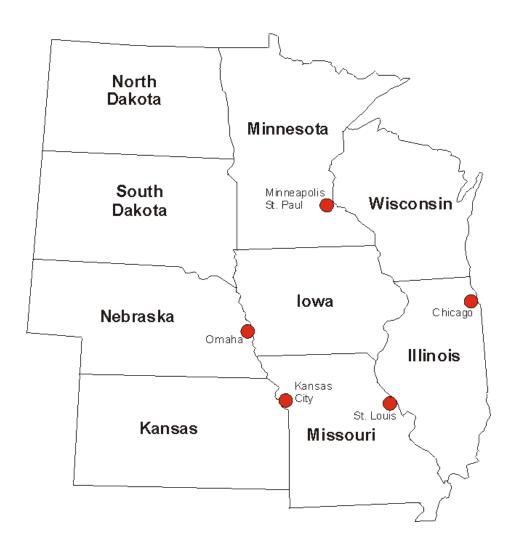
Decrease in Iowa Rail Intermodal Transfers



Iowa Intermodal Facilities



Intermodal Transfers Dominated by Regional Ramps





Summary of Trends

Socio economic

- More productive
- Shift from farming & manufacturing to retail, services, & F.I.R.E.

Rail

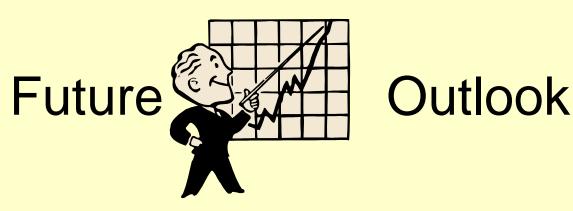
- Fewer miles, but more traffic
- More consolidations
- Safer operations
- Larger cars and longer trains
- Lower revenues per ton-mile
- Financial struggle to maintain system

Summary of Trends

- Farm & Elevator
 - Fewer but larger farms
 - Fewer farms raising livestock
 - More elevator affiliations and shuttle loaders
- Ag Production & Distribution
 - More grain production, stable livestock
 - More farm to market shipments
 - More value adding (feeders, processors)
 - Farmers owning more semis
 - More grain moved in semis

Summary of Trends

- Coal
 - Increase in Iowa coal consumption
 - Increase in rail terminations
- Intermodal
 - Fewer transfer facilities in Iowa
 - Increase in non-lowa facilities



- More rail freight traffic
- Bigger cars & trains
- Fewer rail shipping points
- More truck movements to rail sites and local markets
- More consolidations
 - -Fewer, bigger farms & elevators
 - -Fewer railroads